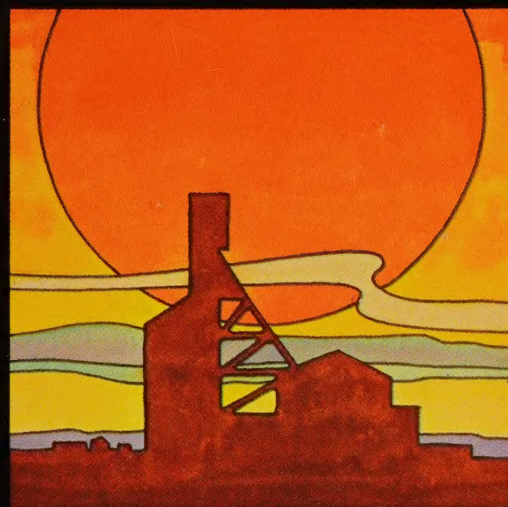
Kerr Addison Mines Limited/Annual Report 1969



Directors
John R. Bradfield, LL.D., Toronto, Ont.
Edward Futterer, Toronto, Ont.
K. C. Gray, Toronto, Ont.
Harold H. Leather, M.B.E., Hamilton, Ont.
J. P. W. Ostiguy, Montreal, Que.
J. A. H. Paterson, Toronto, Ont.
R. V. Porritt, Toronto, Ont.
A. Powis, Toronto, Ont.
W. H. Rea, Toronto, Ont.
W. S. Row, Toronto, Ont.
W. Dent Smith, Toronto, Ont.
J. H. Stovel, Toronto, Ont.

Officers
W. S. Row, Chairman of the Board
J. H. Stovel, President
Edward Futterer, Vice-President
P. M. Kavanagh, Vice-President—Exploration
R. D. Stewart, Secretary
B. C. Bone, Treasurer
I. D. Bayer, Assistant Treasurer

Head Office and Exploration Office
Suite 1600-44 King St. West, Toronto 1, Ont.

Annual Meeting
Thursday, April 16th, 1970,
12:00 Noon at the Canadian Court,
King Edward Sheraton Hotel,
Toronto, Ontario.

Transfer Agents and Registrars
Canada Permanent Trust Company,
1901 Yonge Street, Toronto 7, Ont.
Registrar & Transfer Company,
140 Cedar Street, New York, N.Y.
Registrar & Transfer Company,
34 Exchange Place, Jersey City 2, N.J.

Auditors
Clarkson, Gordon & Co., P. O. Box 251,
Toronto-Dominion Centre, Toronto, Ontario.

Operating Personnel Including Subsidiary Companies
The Kerr Addison Mine
W. G. Hargrave, Manager
S. R. Fredeen, General Superintendent
and Chief Mining Engineer

The Normetal Mine
A. D. Dickson, General Manager
R. J. Allen, Manager

The Quemont Mine
A. D. Dickson, General Manager
W. D. Jamieson, Manager

Joutel Copper Mines Limited
A. D. Dickson, General Manager
D. B. Campbell, Manager

Agnew Lake Mines Limited
M. D. Rowswell, General Manager
M. C. Waterfield, Superintendent

Directors' Report to Shareholders

Your Directors submit herewith the Annual Report of your Company covering the year ended December 31, 1969.

Financial

Increased profits from base metal operations due mainly to high copper prices together with a $1,293,000 profit on sale of investments more than offset decreased profits from the Kerr Addison and Quemont mines and resulted in net earnings of $9,653,000 or $1.01 per share, substantially higher than the equivalent 74 cents earned in 1968.

After paying dividends of 56 cents per share the value of net current assets and investments at quoted market values where applicable, increased to $111,368,000 or $11.69 per share compared to $10.42 the previous year.

At the Annual Meeting held in April, 1969, the shareholders authorized the increase in the capitalization of the Company from ten million to twelve and one half million shares.

The Managers' reports on the Kerr Addison, Normetal, and Quemont mines are contained herein.

Kerr Addison Mine

The output of gold was 151,500 ounces compared to 179,900 ounces in the previous year. The average daily tonnage treated declined from 1,395 to 1,296 tons with an average grade of 0.33 ounces of gold per ton, compared to 0.36 ounces in the previous year.

At year end estimated ore reserves were 2,491,800 tons averaging 0.50 ounces of gold per ton compared to 3,249,100 tons averaging 0.46 ounces of gold a year earlier. Pillars containing 323,000 tons with an average gold content of 0.22 ounces per ton were removed from reserves for economic reasons.

The present Emergency Gold Mining Assistance Act terminates at the end of this year. Only two of the thirty gold mines in Canada are not receiving assistance under the Act. Most of the mining communities and families dependent on gold mining would suffer severely if the majority of the 8,000 gold miners were to lose their source of livelihood. With the current gold price of $35 (U.S.) and increasing costs, the life of the Kerr Addison Mine would be materially shortened unless the Act were renewed.

Normetal Mine

The average daily tonnage treated was 974 tons compared to 991 tons in the preceding year. Ore reserves at year end were 953,000 tons compared to 1,198,000 tons a year earlier.

Quemont Mine

The average daily tonnage treated during 1969 was 916 tons compared to 1,173 tons in 1968. Ore reserves at year end were estimated to be 335,000 tons compared to 590,000 tons a year earlier.

The milling of Delbridge ore on a toll basis commenced in September. Development of a small gold zone on the adjoining Donalda property was started.

Bouzan Mine

An agreement was reached with The Patino Mining Corporation on that part of the Bouzan property not previously sold to Patino. Underground exploration expenditures of $400,000 over a two year period will be shared equally between Kerr and Patino. Any ore that is found will be milled by Patino and resulting profits divided equally between the two companies.

Metal Markets

Gold

During 1969 some of the strains on the international financial system were resolved, at least temporarily. Early in the year weakness of the French franc and the pound sterling, together with the strength of the German mark, threatened the system and gold rose to a high of almost $44 (U.S.) an ounce in March. Subsequently, the

devaluation of the franc, the upward revaluation of the mark, the improved trading position of the pound, and the International Monetary Fund's approval of the Special Drawing Rights calmed the situation and induced private holders to liquidate their gold, resulting in a fall of the free market price to about the $35 (U.S.) official level by year end.

Although the Special Drawing Rights have attracted much publicity, gold is still central to the monetary system and at the year end agreement was announced under which the International Monetary Fund will buy South African gold at the official $35 price. South Africa remains free to sell gold on the free market when it is advantageous to do so.

The tumultuous monetary events of the past year have obscured the sustained growth in the use of gold for industry and jewellery. The use of gold in fabricated form is estimated to be approximately equal to the total of new mine production in the world. Such uses are growing while production is expected to diminish.

Copper

With continuing strong world-wide demand, refined copper deliveries rose 12%. Production was up 10% overseas but there was little increase in the United States above pre-strike levels and some 70,000 tons were lost in Canada through strikes. As a result, prices were under steady upward pressure and the London Metal Exchange price rose to a high of 80 cents (U.S.) per pound in December. The U.S. producers' price increased five times from 42 to 56 cents while the Canadian domestic price increased from 45 to 57 cents. The last Canadian increase of 9 cents, effective January 2, 1970, was suspended until March 1 at the Government's request. The Canadian price during the suspension period is 3½ cents (Can.) below the U.S. producers' price and at the end of January was 23 cents below the LME price.

Zinc

Due to buoyant economic conditions in all major markets, Free World zinc consumption recorded an increase of 11% in 1969. Stocks increased moderately and no serious production interruptions occurred as a result of labour troubles.

Markets are expected to expand by 4% in 1970 with production remaining in balance. New smelters under construction and those planned will create over-capacity intensifying competition for zinc concentrates.

During 1969 both the U.S. and Canadian prices increased in three stages from 13½ to 15½ cents per pound. Overseas the price rose from the equivalent of 12¼ to 14 cents (U.S.) per pound.

Uranium

Serious delays during the past year in construction schedules of many new nuclear power plants, particularly in the United States, have weakened demand and prices slipped marginally below $7.00 (U.S.) per pound. Supplies are forecast to be greater than demand through the mid-1970's and some producers have suspended or cut back production and exploration.

The outlook for the long term remains favourable. Free World nuclear generating capacity is currently about 20,000 megawatts and this is expected to increase to approximately 300,000 megawatts by 1980. Consequently, demand for nuclear fuel, especially in the second half of the decade, will require new production.

Substantial lead times are necessary from discovery of new deposits to production. Your Company is in a favourable position to negotiate for these longer term requirements, with underground development proceeding at its Agnew Lake property and favourable results being obtained at the Fernandez Joint Venture property in New Mexico.

Subsidiary and Associated Companies

Joutel Copper Mines Limited

The average daily tonnage treated was 663 tons averaging 2.26% copper compared to 662 tons averaging 2.50% copper treated during the previous year.

Due primarily to high copper prices net income was $1,875,000 compared to $1,029,000 a year ago. The Company's three year period of exemption from income taxes will expire at the end of February this year. However, due to write-offs of preproduction expenditures, no income taxes are anticipated for 1970.

Ore reserves at year end were estimated at 660,000 tons with an average grade of 2.37% copper as compared to 1,000,000 tons grading 2.5% a year earlier. The reduction of 340,000 tons consisted of 242,000 tons mined and a correction of 98,000 tons resulting from a re-calculated tonnage factor.

Kerr Addison holds about two-thirds of the issued shares.

Icon Sullivan Joint Venture

The average daily tonnage treated in 1969, the second full year of production, was 587 tons containing 3.3% copper, as compared to 529 tons per day containing 3.2% copper in 1968.

During the year, production came mainly from the underground number one orebody and from an open pit extension of it, and to a minor extent from the number three open pit. Ore reserves at year end were estimated at 700,000 tons containing 2.8% copper.

Net income for the year was $4,768,000 compared to $2,278,000 for 1968. The three year period of exemption from income taxes will expire in June 1970.

Kerr Addison's net interest in the Icon Sullivan Joint Venture is 21.4%.

Agnew Lake Mines Limited

Development of the Hyman Township uranium property west of Sudbury, Ontario continued throughout the year.

The shaft, including level station preparation at 200 foot intervals, was bottomed in November at a depth of 3,411 feet. In March, level development on the 900, 1,300 and 1,500 foot levels was commenced and by year end 8,600 feet of development had been completed. In addition, 13,000 feet of diamond drilling from shaft station and drift locations was completed. The underground work locally confirmed the results of the surface diamond drilling programme which, as previously reported, indicated 7,750,000 tons containing 1.8 lbs. U_3O_8 per ton to a vertical depth of 3,500 feet on the property of Agnew Lake Mines and an additional 1,400,000 tons of similar grade on an intervening Kerr Addison claim.

On surface approximately 300,000 cubic yards of overburden were stripped in the proposed hydro-metallurgical plant and ore stockpile areas. A portion of this material as well as shaft rock was used to construct a retaining dam in the tailings area for the control of mine effluents.

Metallurgical studies to permit process design are nearing completion. However, mill construction will not be started until a sales contract has been signed. Engineering was completed for a water treatment plant to remove potential pollutants from underground and stockpile drainage waters.

An additional four houses and sixteen town-house units were constructed in Espanola. Total expenditures including financing charges to December 31, 1969 amounted to $12,880,000.

Kerr Addison holds an 80% interest in Agnew Lake Mines Limited.

Vangorda Mines Limited

Kerr Addison owns about two-thirds of the issued shares of this Company which holds 51

claims in the Yukon Territory. No exploration work was done on the property and the previously estimated tonnage of 9,400,000 tons averaging 3.2% lead, 4.9% zinc, 0.3% copper, 1.76 ounces silver, 0.02 ounces of gold remains unchanged.

Recent metallurgical test work has yielded improved results. This fact, coupled with firming of lead and zinc prices has prompted a detailed analysis of the economic potential of the property.

Exploration

Major exploration programmes were carried out in Canada and in the State of New Mexico.

The Fernandez Joint Venture in the Grants area in the State of New Mexico, in which Kerr Addison has a 26% interest and management, had drilled a cumulative total of approximately 462,000 feet by year end. In the Main Ranch Area widely-spaced drilling, mainly at 500 foot centres, indicated, before allowance for dilution, an ore reserve of 2,319,000 tons grading 6.4 lbs. U_3O_8 per ton by radiometric logging with an average thickness of 7.8 feet at an average depth of 2,700 feet. The zone was not delimited. In addition several reconnaissance holes encountered ore-grade intersections warranting additional drilling.

A concentrated exploration effort in the general Rouyn region of Quebec provided results warranting considerable follow-up drilling. Projects elsewhere in Quebec and in Ontario, British Columbia and the Yukon also yielded results prompting further work.

Drilling is underway on five properties and is scheduled for eight others. Primary exploration programmes are planned in Ontario, Quebec and British Columbia. In addition, Kerr Addison participates in the Icon Syndicate.

The mining industry has been singled out for particularly harsh treatment in the recent White Paper released by the Minister of Finance. It proposes to abolish the three year tax exemption for new mines and to reduce or eliminate existing corporate and shareholders depletion allowances, incentives which have proven to be so effective in attracting necessary risk capital to the industry.

Other sections of the White Paper would also have a drastic impact on our economy. The taxing of unrealized capital gains, the sharp increase in taxation for those in the middle income brackets, and the discouragement of foreign investment in this country could well lead to a debility in our whole economy.

It is with pleasure your Directors record their sincere appreciation of the work accomplished by the management and employees of the Kerr Addison Group of Companies.

On behalf of the Board,

W. S. Row
Chairman

J. H. Stovel
President

February 6, 1970

Toronto, Ontario

Manager's Report: Kerr Addison Mine

During 1969, 472,865 tons of ore were milled at an average grade of 0.33 ounces of gold per ton, down from 510,474 tons containing 0.36 ounces during 1968. Due to a lack of available working places, the daily milling rate declined from 1,417 tons during the first half to 1,125 tons during the last half of the year. Production was 151,513 ounces of gold compared to 179,943 ounces in 1968.

Gold sales of 83,327 ounces during the first half of the year were sold on the free market at an average price of $46.13 (C.F.) per ounce. Production during the second half, amounting to 68,186 ounces was sold to the Mint at an average price of $37.70 per ounce with an estimated rate of assistance under the Emergency Gold Mining Assistance Act of $8.09 per ounce.

The decreased tonnage treated, the increased tonnage of square-set mining both underhand and overhand, and the decrease in tonnage mined by cut and fill and higher labour and material costs were responsible for an increase in costs of 64 cents per ton.

Mine Development and Mining:
Drifting, raising and cross-cutting totalling 1,272 feet and stoping operations were confined to the Numbers 6, 14, 16 and 21 orebodies between the 1300 and 4600 foot levels.

Ore broken by square-set methods accounted for 53.8% of all broken ore, down from 67.9% in 1968. Pillar mining represented 32.1% of tonnage compared to 38.3% in 1968. The amount of underhand square-set mining increased by 27,000 tons over 1968.

A variation in the mining method is being introduced which will eliminate pillars in some areas of transverse square-set stoping operations. New equipment for raising may be introduced which would alter the present method and should reduce the cost of this difficult operation.

Ore Reserves:
At the end of 1969, ore reserves including allowance for dilution, were as follows:

	Tons	Ounces of Gold Per Ton
Total ore reserves at the end of 1968	3,249,128	0.463
Total ore reserves at the end of 1969	2,491,848	0.503

Pillars containing 323,000 tons with an average gold content of 0.22 ozs. per ton were removed from ore reserves for economic reasons.

General:
The total work force decreased from 704 to 601 and the underground work force decreased from 489 to 403. Retention of employees with one or more years of service was 80.3% at December 31, 1969. With the stabilization of the labour force the training program under the Department of Labour did not involve as many employees. Eighty-five men were trained in 1969. Two hundred and ninety-one men have been trained to December 31, 1969.

A new Hewitt-Robins screen was installed ahead of the Standard Cone Crusher and gathering belts from the fine ore bins were re-located so that all ore would pass over a newly installed weightometer.

A tailings impoundment dam, decantation tower and connecting culvert were started. Completion of this construction is anticipated in early spring.

The steel shop, surface foremen's building, carpenter shop, surface tool room and paint shop and two staff dwellings west of the Cafeteria were dismantled.

The co-operation of the men at the mine, their immediate supervisors and Department Heads is appreciated. We all acknowledge the continued support of the Senior Officers and Directors.

Respectfully submitted,
January 21, 1970. W. G. Hargrave, Manager.

Manager's Report: Normetal Mine

During 1969, the concentrator treated 345,349 tons of Normetal ore averaging 1.64% copper, 6.71% zinc, 0.026 ozs. gold and 1.49 ozs. silver per ton and 10,146 tons of adjoining Normetmar ore averaging 2.46% copper, 4.52% zinc, 0.011 ozs. gold and 1.05 ozs. silver per ton. In addition, 257 tons of oxidized ore averaging 4.66% copper, 0.078 ozs. gold and 15.66 ozs. of silver were shipped direct to the smelter.

Production amounted to 11,047,442 lbs. of copper, 5,700 ozs. of gold, 350,666 ozs. silver in copper concentrate and direct smelted ore; 41,283,548 lbs. of zinc in zinc concentrate and 23,366 tons of pyrite concentrate averaging 50.78% sulphur.

Milling averaged 974 tons per day compared to 991 in 1968. Mill feed during the year was 1% from No. 2 shaft, 20% from No. 3 shaft, 50% from No. 4 shaft and 29% from No. 5 shaft, compared to 0, 23, 66, and 11% respectively in 1968. Operating cost per ton milled was 11% higher than in 1968 due mainly to increases in labour rates and an increase in ore from No. 5 shaft area.

Two exploratory diamond drill holes were drilled up from the 4165 level to test the western extension of a short sulphide shoot on the Normetmar property. No ore was intersected.

Ore reserves as at December 31, 1969 after allowing for dilution, are estimated as follows:

		Grade %	
	Tons	Copper	Zinc
Copper-zinc ore	626,000	2.88	2.38
Zinc Ore	327,000	0.17	14.05
	953,000	1.95	6.38

Ore reserves showed a decline of 245,000 tons after milling 345,349 tons during the year and after increasing dilution allowance in many of the copper stopes.

The railway handled 96,778 tons of concentrates and 2,077 tons of freight.

The productivity per man shift was 2.90 compared to 2.93 tons in 1968. The operating force at the year end was 486 compared to 477 at the end of 1968. The labour turnover was 6.92% compared with 8.0% in 1968. At the end of 1969 there were 92.95% of the employees with more than one year's service.

From the commencement of milling in September 1937, to the end of 1969, production has been as follows:

Ore Treated	9,470,000 tons
Copper contained in copper concentrate and ore shipped	217,757 tons
Zinc contained in zinc concentrate	493,691 tons
Gold produced	141,131 ounces
Silver produced	13,311,348 ounces
Pyrite concentrate shipped	510,495 tons
Ore milled for others	27,821 tons

I am pleased to record my thanks and appreciation for the services rendered by the staff and employees at the mine. The assistance and support of the Officers and Directors of the Company are gratefully acknowledged.

Respectfully submitted,

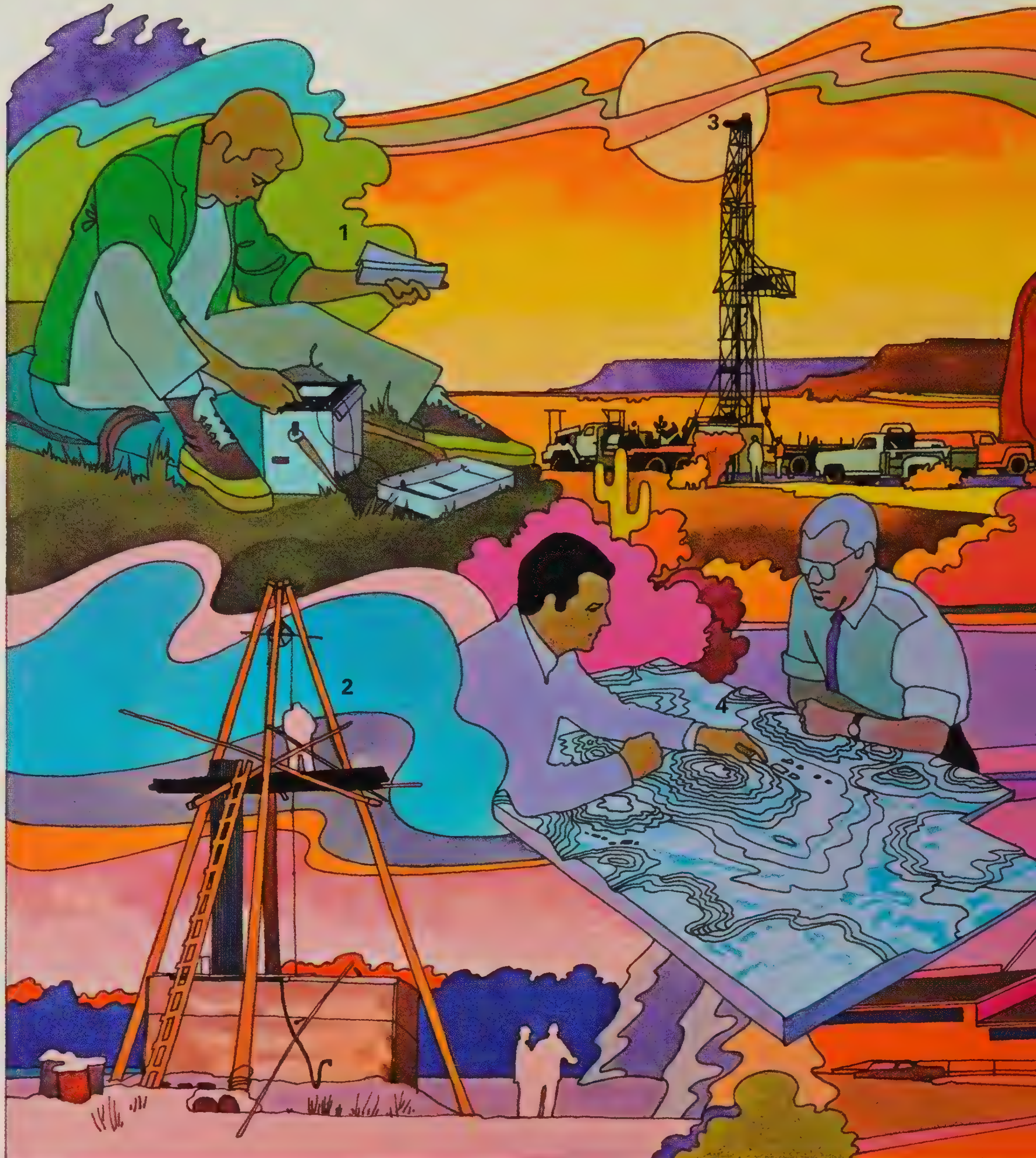
January 19, 1970. R. J. Allen, Manager.

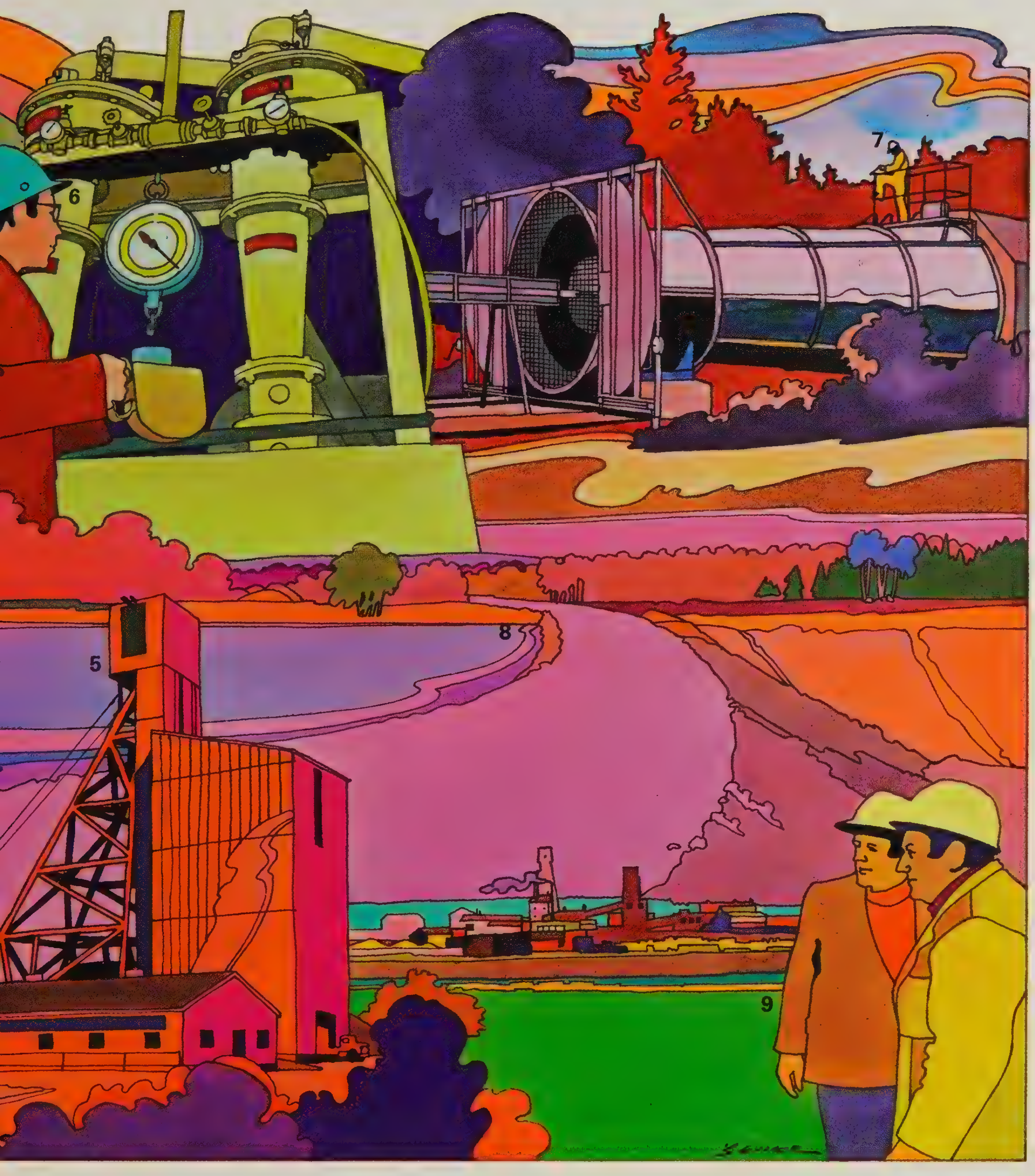
Pictorial
Report

On these pages some of the significant facets of your company's operations have been depicted for you by one of Canada's well-known artists. Although all of these Kerr Addison activities are taking place in widely separated areas of the world, we have arranged them here in a sequence to show you the typical growth pattern of mining operations from exploration to production.

Prospecting has long since abandoned the romantic and lonely image of the oldtime prospector, with hammer and bag, collecting rock samples. Today, with highly-trained personnel using the latest electronic equipment, your company pursues a continual, intensive and international search for new sources of wealth.

In illustration **1**, a geophysical operator is shown doing an induced polarization survey, one of several scientific methods of assessing potential areas. From information gathered in this way, promising areas are selected for drilling. Two of our current programs are shown here. Illustration **2** shows a diamond



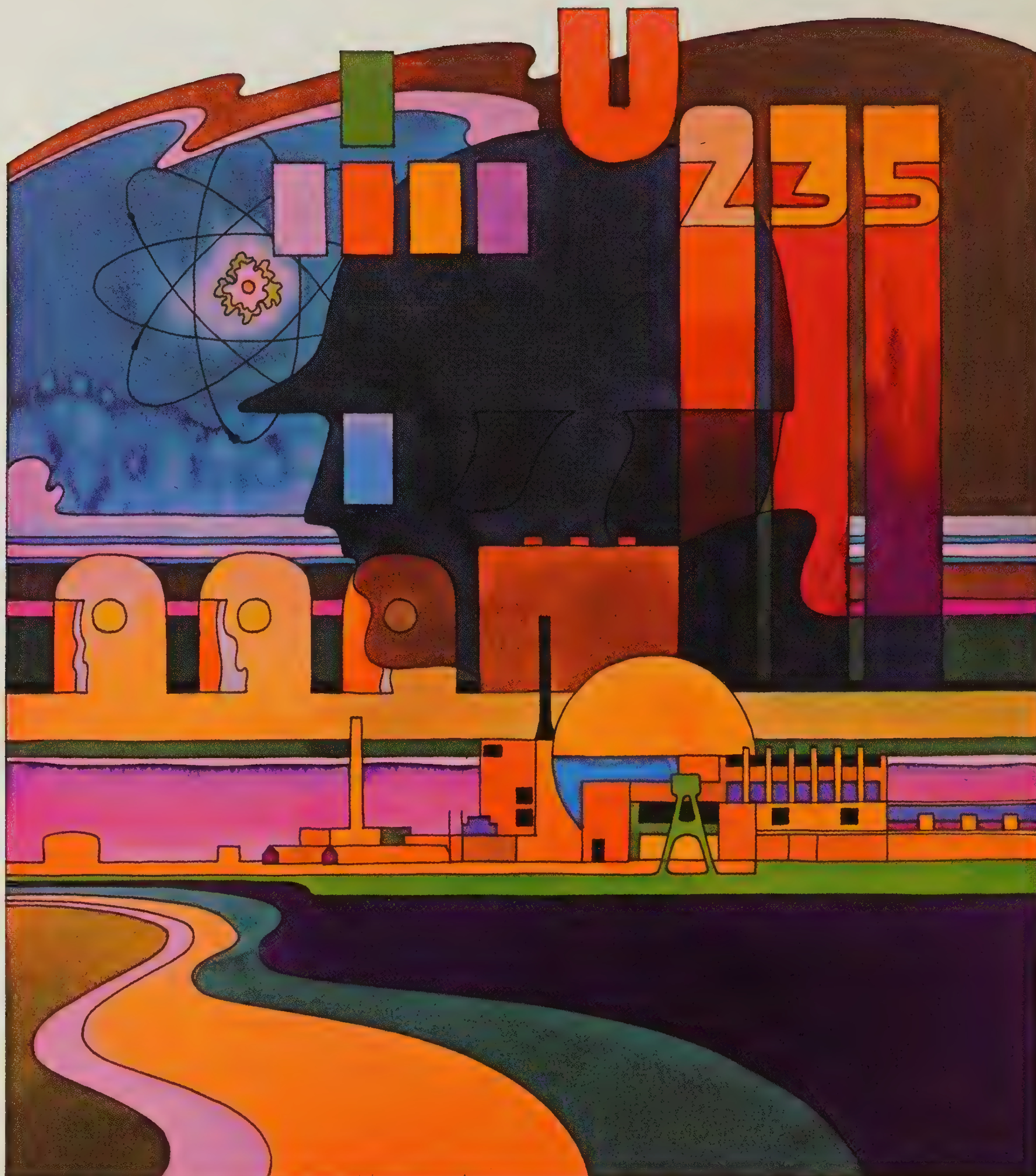


drill testing an anomaly in northern Canada and **3** a rotary drill on the Fernandez Joint Venture property thousands of miles away in New Mexico.

When results prove encouraging, the highly technical process of planning a modern mine operation is initiated. Illustration **4** shows such planning at the Agnew Lake Mines property. A completed mine surface plant, Joutel Copper, is shown in **5.** Once the concentrator is built, sampling is essential. Illustration **6** shows this process at the Quemont Mine.

Management at Kerr Addison is concerned with and assigns top priority to problems affecting environmental and pollution control. Three examples of this are shown here. In **7** we see one of the immense ventilation fans supplying air below ground at the Kerr gold mine. **8** shows a pollution control dam at the Agnew Lakes Mines property. Finally, in a continuing program, seeding to promote vegetation growth on mill tailings is carried out, as shown in **9** at the Normetal Mine.

The Future



The demand for electrical energy is doubling every decade. Much of this growth must come from nuclear power. With two potential uranium mines under its wing, one in Canada and the other in the United States, the company is in an excellent position to benefit from this growing market for uranium. In addition, base metal prospects in Quebec and the Yukon appear promising. All this is reinforced by strong financial resources as well as a continuing and aggressive exploration program.

Manager's Report: Quemont Mine

During 1969, the concentrator treated 334,432 tons of Quemont ore averaging 0.118 ozs. gold and 0.74 ozs. silver per ton, 0.78% copper, 1.96% zinc and 43.1% pyrite.

Production amounted to 4,683,792 pounds of copper, 25,841 ounces of gold, 94,468 ounces of silver in copper concentrate; 5,010 ounces of gold and 54,303 ounces of silver in bullion; 10,224,710 pounds of zinc in concentrate, and 102,853 tons of pyrite concentrate averaging 50.3% sulphur.

The mill treated 916 tons per day during the year compared to 1,173 tons in 1968. This reduction was due to the continuing decrease in available working places in the mine. Sub-level stopping produced 67% of the tonnage and 33% came from cut-and-fill stopes.

Labour productivity was 4.06 tons per man shift compared to 4.55 tons in 1968. The total work force was reduced from 362 at the beginning of the year to 330 at the end. At year end, 97.9% of the employees had more than one year's service with the Company. The operating cost per ton was 13% higher than for 1968 due to the lower tonnage treated and to a general wage increase.

At the end of the year, ore reserves, including dilution, were estimated to be 335,000 tons averaging 0.137 ozs. gold and 0.88 ozs. silver per ton; 0.87% copper, 2.10% zinc and 50% pyrite.

From the beginning of milling operations in 1949 to the end of 1969, the plant has treated 14,716,000 tons of ore averaging 0.159 ozs. gold and 0.90 ozs. silver per ton, 1.33% copper and 2.45% zinc.

Products from this ore were concentrates and bullion containing:

Copper	180,500 tons
Gold	1,860,800 ozs.
Silver	7,629,000 ozs.
Zinc	271,400 tons
Pyrite Concentrate (to sulphuric acid plants)	3,447,000 tons

A contract was made with Delbridge Mines Limited to treat 250,000 tons of its ore on a custom basis. Ore deliveries commenced in September and by year end 57,500 tons were milled.

Pursuant to an agreement with Donalda Mines Limited, preparations for mining the Donalda No. 2 gold vein by Quemont were started during the year. Work completed by the year end included dewatering the workings to 1,200 feet from surface, 3,487 feet of driving, 400 feet of raising, 26,000 cubic feet of slashing and 5,340 feet of underground diamond drilling.

The services rendered by the Department Heads, staff and employees at the mine is gratefully acknowledged. The continued support of the Officers and Directors of the Company is greatly appreciated.

Respectfully submitted,
W. D. Jamieson, Manager.

January 21, 1970.

Kerr Addison Mines Limited

and its wholly-owned subsidiaries

Consolidated Balance Sheet

December 31, 1969
(with comparative figures at
December 31, 1968)

Assets December 31	1969	1968
Current:		
Cash and short-term commercial notes	$ 3,262,733	$ 4,003,928
Marketable securities, at cost (quoted market value—1969—$15,146,000; 1968—$18,519,000)	10,362,498	12,849,266
Concentrates, bullion and metals sold, in transit and on hand at estimated net returns under sales contracts	5,121,039	5,527,828
Accounts and interest receivable	1,434,099	1,540,199
Supplies and materials, at cost	1,604,873	1,547,977
Prepaid expenses	121,858	203,086
Total current assets	21,907,100	25,672,284
Investments:		
Partially owned subsidiary companies (note 1)	13,611,635	10,701,308
Other mining companies (note 2)	29,399,395	24,487,502
Icon Sullivan Joint Venture (note 3)	753,506	627,877
Sundry, at cost	757,160	671,050
	44,521,696	36,487,737
Fixed:		
Buildings, plant and equipment, at cost	30,813,861	31,156,143
Less accumulated depreciation	29,899,641	29,819,611
	914,220	1,336,532
Mining claims and properties, at nominal value	1	1
	914,221	1,336,533
Deferred exploration expenditures	1,134,249	617,493
	$68,477,266	$64,114,047

(See accompanying notes to consolidated financial statements)

Liabilities December 31	1969	1968
Current:		
Accounts payable and accrued charges	$ 1,366,613	$ 1,447,375
Income and mining taxes payable	1,427,463	1,411,347
Balance of dividends payable	279,505	318,000
Total current liabilities	3,073,581	3,176,722
Deferred income taxes	239,000	92,000
Shareholders' equity:		
Capital stock—		
Authorized (note 4):		
12,500,000 shares of no par value		
Issued:		
9,524,449 shares	41,355,422	41,355,422
Earned surplus	23,809,263	19,489,903
	65,164,685	60,845,325
	$68,477,266	$64,114,047

On behalf of the Board: W. S. Row, Director
J. H. Stovel, Director

Auditors' Report

To the Shareholders of Kerr Addison Mines Limited:

We have examined the consolidated balance sheet of Kerr Addison Mines Limited and its wholly owned subsidiaries as at December 31, 1969 and the consolidated statements of operations, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting presentation (which we approve) referred to in note 1 to the financial statements.

Toronto, Canada, February 6, 1970.

Clarkson, Gordon & Co., Chartered Accountants

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Operations

For the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Mine operations:		
Value of production	$22,311,950	$22,598,001
Cost of metal production (net of recoveries under the Emergency Gold Mining Assistance Act)	15,351,515	15,709,885
	6,960,435	6,888,116
Investment and other income:		
Joutel Copper Mines Limited		
Income bond interest	98,297	121,465
Equity in earnings	1,188,053	652,059
Agnew Lake Mines Limited		
Interest on debentures and advances	599,123	367,952
Icon Sullivan Joint Venture		
Equity in earnings	925,112	346,963
Dividends and interest received from marketable securities, investments in other mining companies and short term commercial notes	2,880,301	2,860,945
	5,690,886	4,349,384
	12,651,321	11,237,500
Deduct:		
Administrative and general expenses	384,020	457,807
Outside exploration expenses	1,355,712	1,228,812
Depreciation	380,275	561,081
Income and mining taxes	2,171,415	2,222,239
	4,291,422	4,469,939
Profit before the following	8,359,899	6,767,561
Gain on sales of investments and fixed assets (Note 1)	1,293,152	248,248
Net income for the year	$ 9,653,051	$ 7,015,809

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Earned Surplus

For the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Balance at beginning of year	$19,489,903	$39,961,765
Add: Net income for the year	9,653,051	7,015,809
Recovery of prior years' income taxes	—	90,550
	29,142,954	47,068,124
Deduct: Dividends	5,333,691	5,285,550
Write-down of mining claims and properties to nominal value	—	2,453,135
Earned surplus balances of Normetal Mining Corporation Limited and Quemont Mining Corporation Limited capitalized as a result of merger	—	19,689,163
Costs and expenses in connection with merger	—	150,373
	5,333,691	27,578,221
Balance at end of year	$23,809,263	$19,489,903

Consolidated Statement of Source and Application of Funds

For the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Source of funds:		
From operations—Net income for the year	$ 9,653,051	$ 7,015,809
Depreciation	380,275	561,081
Equity in undistributed earnings of Joutel Copper Mines Limited and Icon Sullivan Joint Venture	(539,409)	(652,059)
Increase (decrease) in deferred income taxes	147,000	(40,000)
	9,640,917	6,884,831
Redemption of Joutel Copper Mines Limited 6% debentures	1,903,452	—
Recovery of prior years' income taxes	—	359,550
Decrease in non-current accounts receivable	—	188,852
	11,544,369	7,433,233
Application of funds:		
Dividends	5,333,691	5,285,550
Agnew Lake Mines 7% debentures	4,400,000	6,400,000
Joutel Copper Mines 6% debentures	—	99,359
Increase (decrease) in other investments	4,998,000	(741,385)
Increase (decrease) in fixed assets (net)	(42,036)	119,191
Merger costs and expenses	—	150,373
Increase in deferred exploration expenditures	516,757	120,210
	15,206,412	11,433,298
Decrease in working capital	(3,662,043)	(4,000,065)
Working capital at beginning of year	22,495,562	26,495,627
Working capital at end of year	$18,833,519	$22,495,562

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

December 31, 1969

1 Basis of Statement Presentation

These statements consolidate the accounts of the Company, its two wholly-owned mining subsidiaries Normetal Mines Limited and Quemont Mines Limited, and its wholly-owned exploration subsidiary Keradamex, Inc. The accounts of partially owned subsidiaries are not consolidated but are carried as an investment on the balance sheet as follows:

	1969	1968
Joutel Copper Mines Limited (63.3% owned)		
Shares, at cost	$ 1,529,236	$ 1,529,236
Equity in undistributed earnings	1,155,914	742,135
6% income debentures, at cost (par value 1968—$2,112,500)		1,903,452
Agnew Lake Mines Limited (80% owned)		
Shares, at cost (less tax reductions of $137,000 relating thereto)	126,484	126,484
7% debentures, at cost (par value 1969—$10,800,000; 1968—$6,400,000)	10,800,000	6,400,000
Inactive subsidiary companies, at nominal value	1	1
	$13,611,635	$10,701,308

The accounts of Joutel are not consolidated because of the substantial minority interest. The Company's equity in earnings of Joutel is, however, reflected in the statement of operations. The accounts of Agnew Lake are not consolidated because of the minority interest and the fact that the company had not yet commenced operations. To December 31, 1969 Agnew Lake had expended a total of $6,095,433 on buildings and equipment, and a total of $6,787,166 on exploration, development and other expenditures.

In line with recent recommendations of The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants the 1969 financial statements reflect the following changes in accounting presentation:

a) Gains on sales of investments and fixed assets (previously credited directly to earned surplus) are now shown in the statement of operations and are included in arriving at net income for the year.

b) Supplies and materials and prepaid expenses (previously classified as other assets) are now grouped with current assets.

The 1968 figures submitted for comparison have been restated on the same basis.

2 Investments in Other Mining Companies

These investments represent shares and bonds of other mining companies which are being held on a relatively long-term basis. Such investments, which are carried at cost of $29,399,395, had a quoted market value on December 31, 1969 of approximately $71,870,000 (computed by pricing the individual holdings at the closing market quotations on that date). This amount does not necessarily represent the value of these holdings, which may be more or less than that indicated by market quotations.

3 Icon Sullivan Joint Venture

The balance sheet value of $753,506 represents the Company's equity in the net book value of the assets of the joint venture at December 31, 1969.

4 Share Capital

The Company's authorized share capital was increased to 12,500,000 shares by supplementary letters patent dated April 28, 1969.

Employee options were outstanding at December 31, 1969 covering a total of 13,000 shares, exercisable at a price of $13.30 per share up to July 23, 1979.

5 Remuneration of Directors & Senior Officers

Total remuneration paid to directors and senior officers during the year ended December 31, 1969 amounted to $183,338 ($178,825 in 1968).

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KERR ADDISON MINES LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the Management of the Company, for use at the Annual Meeting of the Shareholders of the Company to be held on Thursday, the 16th day of April, 1970 at the time and place and for the purposes set forth in the Notice of Meeting. The solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Company. The cost of solicitation by Management will be borne by the Company.

The persons named in the enclosed form of proxy are Directors of the Company. IF, HOWEVER, A SHAREHOLDER DESIRES TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THOSE DESIGNATED IN THE FORM OF PROXY, HE MAY DO SO BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR COMPLETE ANOTHER FORM OF PROXY.

A shareholder who has given a proxy may revoke it at any time prior to its use either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the Meeting.

EXERCISE OF DISCRETION

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed and where a choice is specified, will vote in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF THE MATTER ON WHICH A CHOICE WAS GIVEN. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting.

VOTING SHARES

At the close of business on February 13th, 1970 the Company had 9,524,449 outstanding common shares without nominal or par value and the holders of such shares are entitled to one vote for each share held, at such meeting and at any adjournment thereof. The Management of the Company has been informed that Noranda Mines Limited is the only person or company which owns beneficially, directly or indirectly more than 10% of the outstanding common shares of the Company, owning 4,129,251 shares, or 43.3% at February 13th, 1970.

Only shareholders of record at the time set for the meeting will be entitled to vote at the meeting or any adjournment thereof.

ELECTION OF DIRECTORS

The Board consists of twelve directors to be elected annually. The Management of the Company proposes to nominate the persons listed below for election as Directors of the Company to serve until the

next annual meeting or until their successors are elected or appointed. All such proposed nominees are now Directors of the Company and have been since the dates indicated, except Dr. P. M. Kavanagh who has not been previously elected to the Board of Directors. It is the intention of the persons named in the enclosed form of proxy to vote for the election of the proposed nominees as Directors. If any of such nominees should be unable to serve as Directors for any unforeseen reason the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

Name	Position and Offices with the Company	Principal Occupation	Became Director	Common Shares Beneficially owned Directly or Indirectly February 13/70
John R. Bradfield		Chairman of the Board of Noranda Mines Limited.	1962	1,501
Edward Futterer	Vice-President	Vice-President — Exploration of Noranda Mines Limited.	1967	2,501
K. C. Gray		Retired since 1965.	1958	1,001
P. M. Kavanagh	Vice-President — Exploration	Vice-President — Exploration of the Company since April 1967, prior to which he was Chief-Geologist of the Company.	—	4,000
Harold H. Leather		Director of Leather Cartage Limited.	1945	1,501
J. P. W. Ostiguy		President of Morgan, Ostiguy & Hudon Limited.	1968	101
R. V. Porritt		Vice-Chairman of the Board of Noranda Mines Limited.	1963	1,261
A. Powis		President and Chief Executive Officer of Noranda Mines Limited.	1969	301
W. H. Rea		Chairman of the Board of Great Canadian Oil Sands Limited.	1963	1,001
W. S. Row	Chairman of the Board	Executive Vice-President of Noranda Mines Limited.	1955	11,001
W. Dent Smith		Company Director.	1951	3,101
J. H. Stovel	President	President of the Company.	1964	5,001

Note: Joutel Copper Mines Limited is a subsidiary of this Company and the following persons, being directors of Joutel Copper Mines Limited, hold shares in that company as follows: Mr. Futterer 1 share, Mr. Gray 1 share, Mr. Row 501 shares and Mr. Stovel 1 share.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

(1) Aggregate direct remuneration paid or payable by the Company and its subsidiaries in 1969 to the Directors and senior officers of the Company was $183,338.

(2) Estimated aggregate cost to the Company and its subsidiaries in 1969 of all pension or retirement benefits proposed to be paid to the Directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age was $2,919.

(3) During 1969 senior officers of the Company were granted stock options for the purchase of common shares by the Company as follows:

Date Share option granted	Number of common shares included	Purchase Price per share	Date Option Expires	Price Range of Shares on Toronto Stock Exchange in 30 day period preceding grant
July 24, 1969	3,000	$13.30	July 23, 1979	$13¾ - 14⅝

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Clarkson, Gordon & Co. have been auditors of the Company for more than five years.

OTHER BUSINESS

The Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if matters not now known to the Management should come before the Meeting, shares represented by proxies solicited by the Management will be voted on each such matters in accordance with the best judgment of the nominees voting same.

On behalf of the Board,

R. D. STEWART,

Secretary.

February 13th, 1970.

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